

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

IN RE: Application of Harbor Island Utilities,)
 Inc. for approval of a new schedule of)
 rates and charges for water and sewer) RATE
 service provided to residential and) APPLICATION
 commercial customers in Harbor Island,)
 Beaufort County, South Carolina)

Harbor Island Utilities, Inc. (hereinafter "Utility") would respectfully show
unto this Honorable Commission:

1. That it is a corporation organized and existing under the laws of the State of South Carolina and is a public utility within the meaning of the South Carolina statutes.
2. That this application is for approval of a new schedule of rates and charges for water and sewer services provided to residential and commercial customers within the Utility's service area.
3. Applicant is presently providing service to Three Hundred Ninety (390) residential and commercial customers as of October 31, 2001, under a schedule of rates and charges approved by the Commission in Order No. 98-575, Docket No. 97-262-W/S dated August 1, 1998 for water and sewer. On June 23, 1999 the South Carolina Public Service Commission by way of Order No. 1999-441, Docket No. 97-262-W/S approved an increase in water tap fee by \$150.00 to cover the increased fees charged by Fripp Island Public Service District (FIPSD) in accordance with a water service agreement entered into between FIPSD and Harbor Island Utilities, Inc. in July 1986.
4. That because of increased operating expenses and required effluent line replacement along U.S. Highway 21 due to a bridge replacement announced by the S.C. Department of Transportation, applicant must increase its rates and charges and respectfully submits, pursuant to S.C.

Jm # 1

Code Ann. S58-5-240 (1976), the attached new schedule designated as Section 3 of this application and incorporated herein by reference, which would have produced additional revenues of \$52,181 for water service and \$16,992 for sewer service based on the twelve-month period ending October 31, 2001. Applicant is informed and believes that such schedule is just, lawful and reasonable and should be approved.

5. All correspondence and other communications related to this application should be addressed to:

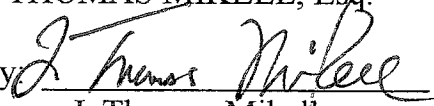
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6. Attached thereto and incorporated by reference are Sections 1-14 inclusive, based on the proposed twelve-month test year ending October 31, 2001, required by the Commission's Rules and Regulations, Section R. 103-512.4 and R.103-712.4.

WHEREFORE, having fully set forth its petition, applicant prays that this Honorable Commission inquire into the matters set forth herein and that it approve the attached new schedule filed by the applicant herein.

J. THOMAS MIKELL, Esq.

By 

J. Thomas Mikell
Attorney for Harbor Island Utilities, Inc.

HARBOR ISLAND UTILITIES, INC

RATE ADJUSTMENT APPLICATION TO THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

JUNE 2002

HARBOR ISLAND UTILITIES, INC
RATE ADJUSTMENT APPLICATION
TO THE
SOUTHCAROLINA PUBLIC SERVICE COMMISSION

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SECTION 1

HARBOR ISLAND UTILITIES, INC

RATE APPLICATION

STATEMENT OF JUSTIFICATION FOR RATE INCREASE

On March 14, 1984, the Public Service Commission recognized the Harbor Island Utilities, Inc. as a private water and sewer utility, set its service area as Harbor Island, and approved water and sewer rates. In 1985 the owner of the Utility filed for bankruptcy under Chapter 11 of the Federal Bankruptcy laws, and as a result, sold the sewer system and assets to a third party. The stock of the Harbor Island Utilities, Inc with its water system assets was then sold to Community Services Management, Inc on July 14, 1986.

On January 19, 1995 the SCPSC approved the purchase of the sewer assets by Harbor Island Utilities, Inc., that recombined the water and sewer systems into one utility. Water and sewer rates remained the same until August 1, 1998.

Continuing to operate the water and sewer systems under the currently approved rates has failed to provide an adequate or reasonable operating margin for the past two years. For FY-00 the net revenues over expenses was (\$10,356) while the net revenues over expenses for FY-01 was (\$62,120).

Harbor Island Utilities, Inc. purchases the potable water it sells from the Beaufort-Jasper County Water & Sewer Authority (BJW&SA) at a wholesale rate and has to pay the Fripp Island Public Service District a transportation fee for use of its water main between the BJW&SA main on St. Helena Island and Harbor Island. Since the last rate adjustment in 1998, the BJW&SA has raised its wholesale rate by 5.76 percent. The Fripp Island Public Service District has also increased its transportation fee since the last rate increase by twenty (20) percent.

Harbor Island Utilities, Inc. (HIU) recently has been informed by the South Carolina Department of Transportation (SCDOT) of its intention to construct a new bridge on U.S. Highway 21 crossing Johnson Creek. This will require HIU to pay for the

relocation of its 6-inch main that transports treated wastewater from Harbor Island to Fripp Island for disposal on a golf course.

With the losses over the past two years and the capital expenditures required by SCDOT, it is necessary that this request for water and sewer rate adjustments is made.

The currently approved water and sewer rates are:

USER FEES – WATER

1. Residential

¾" meter	Base	\$11.69/month
	Commodity	\$3.50/1,000 gallons
1" meter	Base	\$13.19/month
	Commodity	\$3.50/1,000 gallons
1½" meter	Base	\$17.99/month
	Commodity	\$3.50/1,000 gallons

2. Commercial Water Service

¾" meter	Base	\$16.19/month
	Commodity	\$3.50/1,000 gallons
1" meter	Base	\$18.27/month
	Commodity	\$3.50/1,000 gallons
1½" meter	Base	\$24.91/month
	Commodity	\$3.50/1,000 gallons

3. Landscape Irrigation

¾" meter	Base	\$11.69/month
	Commodity	\$3.50/1,000 gallons
1" meter	Base	\$13.19/month
	Commodity	\$3.50/1,000 gallons
1½" meter	Base	\$17.99/month
	Commodity	\$3.50/1,000 gallons

4. **Meters Used for Multiple Residential Units**

Minimum monthly charge at \$11.69/unit Commodity charge of \$3.50/1,000 gallons

NOTE: All rates above are for monthly service. The Utility may bill on a quarterly basis at three times the base rate plus any water used at \$3.50/1,000 gallons.

FIRE HYDRANT USAGE

1. Installation Charge	\$ 50.00*
Advance Payment	\$ 50.00*
Cost per 1,000 gallons	\$ 2.50

RECONNECTOIN FEES

1. Disconnect/Reconnect at Customer's Request	\$ 50.00
2. Disconnect/Reconnect due to Nonpayment	\$ 50.00

TAP FEES

1. <u>Single Units</u>	
3/4" meter	\$ 650.00**
1" meter	\$1,000.00**
1 1/2" meter	\$1,150.00**
2" meter	\$2,150.00**
2. <u>Master Meter for Multiple Units</u>	
1" – 2"	\$ 650.00**
Greater than 2"	\$ 500.00**

ADVANCE PAYMENT

1. For Water Used During Construction (paid with tap fees)	\$ 100.00*
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USER FEES – SEWER

1. Residential	\$ 26.00
2. Commercial	\$ 26.00 min. for 10,500 gallons \$ 1.40 per 1,000 gal excess usage (Sewage flow is determined by using SCDHEC wastewater unit load allocation)

* No change to previously approved rates.

** Rate approved on June 23, 1999.

TAP FEES - SEWER

Residential	\$ 500.00*
Trailer Park	\$ 250.00/pad*
Commercial: Water supplied through 1" – 1½" meter	\$ 850.00*

SECTION 2

HARBOR ISLAND UTILITIES, INC REVENUE AND EXPENSE STATEMENT FY-01

REVENUE:

Water Sold	\$138,768
Sewer Service	108,025
Safe Drinking Water Fee	1,614
Penalties	517
Other Revenue	<u>5,162</u>
 Total Revenue	 254,086
Less: Refunds	<u>135</u>
Net Revenues	253,951

COST OF SALES:

Water Purchase	<u>77,685</u>
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<u>GROSS MARGIN:</u>	176,266
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EXPENSES:

Administration	83,856
Water System O & M	67,121
Sewer System O & M	73,595
Depreciation	4,374
Taxes	<u>9,440</u>
Total Expenses	238,386

<u>NET GAIN (LOSS):</u>	(62,120)
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SECTION 3

HARBOR ISLAND UTILITIES, INC. PROPOSED RATE SCHEDULE

USER FEES – WATER

1. Residential

¾" meter	Base	\$18.50/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$20.00/month
	Commodity	\$3.60/1,000 gallons
1½" meter	Base	\$25.00/month
	Commodity	\$3.60/1,000 gallons

2. Commercial Water Service

¾" meter	Base	\$23.00/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$25.00/month
	Commodity	\$3.60/1,000 gallons
1½" meter	Base	\$32.00/month
	Commodity	\$3.60/1,000 gallons

3. Landscape Irrigation

¾" meter	Base	\$18.50/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$20.00/month
	Commodity	\$3.60/1,000 gallons
1½" meter	Base	\$25.00/month
	Commodity	\$3.60/1,000 gallons

4. Meters Used for Multiple Residential Units

Minimum monthly charge at \$18.50/unit
Commodity charge of \$3.60/1,000 gallons

FIRE HYDRANT USAGE

1. Installation Charge	\$ 50.00*
Advance Payment	\$ 50.00*
Cost per 1,000 gallons	\$ 3.60

RECONNECTOIN FEES

1. Disconnect/Reconnect at Customer's Request	\$ 50.00
2. Disconnect/Reconnect due to Nonpayment	\$ 50.00

TAP FEES

1. <u>Single Units</u>	
3/4" meter	\$ 687.00
1" meter	\$1,037.00
1½" meter	\$1,187.00
2" meter	\$2,187.00
2. <u>Master Meter for Multiple Units</u>	
1" – 2"	\$ 687.00 per unit served
Greater than 2"	\$ 500.00 per unit plus cost of meter installation

ADVANCE PAYMENT

1. For Water Used During Construction (paid with tap fees)	\$ 100.00*
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USER FEES – SEWER

1. Residential	\$ 31.25
2. Commercial	\$ 31.25 min. for 10,500 gallons \$ 1.50 per 1,000 gal excess usage (Flow is determined by using DHEC wastewater unit load allocation)

* No change to previously approved rates.

TAP FEES – SEWER

Residential	\$ 500.00*
Trailer Park	\$ 325.00/pad*
Commercial: Water supplied through 1" – 1½" meter	\$1,000.00*

* No change to previously approved rates

SECTION 4

TEST YEAR

Harbor Island Utilities, Inc. operates on a fiscal year that ends on October 31. The test year for this rate application is for November 1, 2000 – October 31, 2001.

SECTION 5

HARBOR ISLAND UTILITIES, INC. PRO FORMA INCOME AND EXPENSE STATEMENT USING PROPOSED RATES APPLIED TO TEST YEAR

<u>ACTIVITY</u>	<u>PER BOOKS</u>	<u>PRO FORMA ADJUSTMENT</u>	<u>AFTER ADJUSTMENT</u>	<u>EFFECT OF PROPOSED INCREASE</u>	<u>AFTER PROPOSED INCREASE</u>
Operating Revenues					
Water Sales	138,768	6,995 (1)	145,763	52,181	197,944
Sewer Rev	108,025	2,423 (2)	110,448	21,220	131,668
Safe Water Fee	1,614	(1,614) (3)	0	0	0
Interest Earned	70	(70) (4)	0	0	0
Late Charges	517	(517) (4)	0	0	0
Other Income	5,092	(5,092) (4)	0	0	0
Refunds	<u>(135)</u>		<u>(135)</u>	<u>135</u>	<u>0</u>
Total Revenues	253,951	2,125	256,076	73,536	329,612
Operating Expenses					
Administration	83,856	7,684 (5)	91,540	0	91,540
W&S Operation & Maintenance	140,716	(35,079) (6)	105,637	0	105,637
Depreciation	4,374		4,374	0	4,374
Water Purchase	77,685	(6,017) (7)	71,668	717 (8)	72,385
Debt Service P+I		7,445 (9)	7,445		7,445
Income Taxes	<u>9,440</u>		<u>9,440</u>	<u>0</u>	<u>9,440</u>
Total Expenses	316,071	(25,967)	290,104	717	290,820
Net Operational Income	(62,120)	28,092	(34,028)	72,819	38,792
Add Customer Growth 1.0 %	<u>(621)</u>		<u>(340)</u>		<u>388</u>
Total Operational Income	(62,741)		(34,368)	72,819	39,180
Operating Margin	-24.7%		-13.4%		11.9%

NOTES:

- (1) To adjust water revenues for adjustments made to the test year.
- (2) To adjust sewer revenues for adjustments made to test year.
- (3) To eliminate fees required and approved by DHEC.
- (4) To eliminate non-regulated revenues as a below-the-line item.
- (5) To adjust several administrative expenses as explained in Section 9.
- (6) To adjust several O&M expenses as explained in Section 9.
- (7) To adjust water purchase expense to reflect lost water in excess of 10%.
- (8) To adjust water purchased due to customer growth.
- (9) To cover debt service of loan to relocate pipeline across new bridge. (\$70,000 @ 6.5% for 15 yrs)

SECTION 6

HARBOR ISLAND UTILITIES, INC. BALANCE SHEET OCTOBER 31, 2001

ASSETS

Current Assets

Checking/Savings

1000 · Palmetto State Bank checking	10,928.62
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Total Checking/Savings	10,928.62
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Accounts Receivable

1200 · Receivables	6,743.66
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Total Accounts Receivable	6,743.66
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Total Current Assets	17,672.28
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Fixed Assets

1500 · Fixed Assets

1505 · WS-Pump equipment	27,356.66
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1506 · WS-Mains	18,702.29
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1507 · WS-Services	10,616.15
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1508 · WS-Hydrants	13,568.64
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1509 · WS-Support equipment	14,334.06
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1523 · Contributed mains & services	17,040.59
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1524 · Contributed meters	22,354.14
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1525 · Contributed systems 1986-1995	22,529.75
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1526 · Contributed systems 1996 forward	223,046.25
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1535 · SS-Pump equipment	20,000.00
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1536 · SS-Collection system	9,300.00
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1537 · Contributed sewer costs	5,767.43
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1545 · TP-Treatment units	40,000.00
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1561 · Land (Land)	5,700.00
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Total 1500 · Fixed Assets	450,315.96
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1600 · Accumulated Depreciation

1605 · WS-Pump equipment	-8,120.62
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1606 · WS-Mains	-6,281.76
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1607 · WS-Services	-3,155.93
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1608 · WS-Hydrants	-4,703.99
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1611 · WS-Support equipment	-12,917.83
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1623 · Contributed mains	-2,465.81
1624 · Contributed meters	-6,321.74
1625 · Contributed systems 1986-1995	-7,577.89
1626 · Contributed systems 1996 forward	-64,583.72
1635 · SS-Pump equipment	-20,000.00
1636 · SS-Collection systems	-2,511.00
1637 · Contributed sewer costs	-1,219.01
1645 · TP-Treatment units	-10,800.00
Total 1600 · Accumulated Depreciation	<u>-150,659.30</u>
Total Fixed Assets	299,656.66
Other Assets	
1800 · Other Assets	
1801 · Deposits	100.00
1802 · Parts inventory	<u>600.00</u>
Total 1800 · Other Assets	<u>700.00</u>
Total Other Assets	<u>700.00</u>
TOTAL ASSETS	<u><u>318,028.94</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2100 · Payables	<u>60,460.12</u>
Total Accounts Payable	60,460.12
Other Current Liabilities	
Accrued interest	2,202.32
Accrued interest shareholder loan	1,072.00
Federal income tax payable	41.00
2102 · Notes payable (Principal)	310,916.21
2104 · Loan from Shareholder	26,800.00
2200 · Water/sewer deposits	<u>366.50</u>
Total Other Current Liabilities	<u>341,398.03</u>
Total Current Liabilities	<u>401,858.15</u>
Total Liabilities	401,858.15

Equity

3700 · Contributed Tap-In Fees

3702 · Prior year tap-in fees	60,728.00
3703 · Current year water tap fees	3,850.00
3704 · Current year sewer tap fees	6,000.00
3751 · 1986 & prior systems	79,028.45
3753 · 1986 - 1995 systems	62,314.91
3754 · 1986 - 1995 cash	22,068.92
3755 · Westmarsh systems	223,046.25
3756 · Cash after 1996	5,360.00
3765 · Amortization-tap fee costs	-3,901.81
3766 · Amortization-since 1986 systems	-11,282.25
3767 · Amortization-1996 forward systems	-64,583.72

Total 3700 · Contributed Tap-In Fees	<u>382,628.75</u>
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3801 · Common stock	81,000.00
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3802 · Treasury stock	-516,100.00
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3900 · Retained Earnings	30,761.48
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Net Income	<u>-62,119.44</u>
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Total Equity	<u><u>-83,829.21</u></u>
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TOTAL LIABILITIES & EQUITY	<u><u>318,028.94</u></u>
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SECTION 7

Harbor Island Utilities, Inc. Depreciation Schedule Year Ending October 31, 2001

Acct #	Description	Date Acquired	Date Sold	Cost/Basis 10/31/2000	Add (Retire) 10/31/2001	Cost Basis 10/31/2001	Accum. Dep 10/31/2000	Method	Life	Rate HY Conv	Current Annual Depr	Accum. Dep 10/31/2001	Monthly
1605 Pump Equipment													
	Water system - upgrade	06/01/1986		7,706.00		7,706.00	7,706.00	SLP	10.0	0.1000	0.00	7,706.00	0.00
	Water system - upgrade	09/12/2000		6,767.80		6,767.80	84.60	SLP	40.0	0.0250	169.20	253.79	14.10
	Water system - upgrade	04/30/2001			12,883.07	12,883.07		SLP	40.0	0.0125	161.04	161.04	13.42
				14,473.80	12,883.07	27,356.87	7,790.60				330.23	8,120.83	27.52
1606 Water Mains													
	Bridge Crossing	07/01/1986		6,863.00		6,863.00	2,459.58	SLP	40.0	0.0250	171.58	2,631.15	14.30
	Phase I Water Line	08/01/1986		1,220.00		1,220.00	434.50	SLP	40.0	0.0250	30.50	465.00	2.54
	Beach Walk Phase I	11/27/1989		10,620.00		10,620.00	2,920.50	SLP	40.0	0.0250	265.50	3,186.00	22.13
				18,703.00	0.00	18,703.00	5,814.58				467.58	6,282.15	38.96
1607 Services													
	Beach Walk Phase I	11/27/1989		10,286.00		10,286.00	2,829.15	SLP	40.0	0.0250	257.15	3,086.30	21.43
	Kelp & Teal Court Connections	05/16/1993		330.00		330.00	62.25	SLP	40.0	0.0250	8.25	70.50	0.69
				10,616.00	0.00	10,616.00	2,891.40				265.40	3,156.80	22.12
1607 Hydrants													
	Fire Hydrants	07/01/1986		7,600.00		7,600.00	2,723.00	SLP	40.0	0.0250	190.00	2,913.00	15.83
	Beach Walk Phase I	11/27/1989		2,569.00		2,569.00	706.23	SLP	40.0	0.0250	64.23	770.45	5.35
	Hydrants	08/03/2000		1,300.00		1,300.00	130.00	SLP	5.0	0.2000	260.00	390.00	21.67
	Hydrants	02/10/2000		2,100.00		2,100.00	210.00	SLP	5.0	0.2000	420.00	630.00	35.00
				13,569.00	0.00	13,569.00	3,769.23				934.23	4,703.45	77.85
1608 Support Equipment													
	Centrifical Pump	06/01/1986		1,197.00		1,197.00	1,197.00	SLP	3.0	0.3333	0.00	1,197.00	0.00
	Flushquip Retrieval Sys Model T-1	01/12/1995		1,570.00		1,570.00	1,570.00	SLP	3.0	0.3333	0.00	1,570.00	0.00
	Gastech Gas Monitor GT402	01/12/1995		2,972.00		2,972.00	2,972.00	SLP	5.0	0.2000	0.00	2,972.00	0.00
	Sampler	04/17/1995		2,297.00		2,297.00	2,297.00	SLP	5.0	0.2000	0.00	2,297.00	0.00
	Flow meter	04/17/1995		3,200.00		3,200.00	3,200.00	SLP	5.0	0.2000	0.00	3,200.00	0.00
	Chlorine scales	04/17/1995		1,075.00		1,075.00	1,075.00	SLP	5.0	0.2000	0.00	1,075.00	0.00
	Tap costs (non-capital contributions)	06/29/2000		2,022.00		2,022.00	202.20	SLP	5.0	0.2000	404.40	606.60	33.70
				14,333.00	0.00	14,333.00	12,513.20				404.40	12,917.60	33.70

1635	SS Pump Equipment Pump stations	02/06/1995	20,000.00	20,000.00	20,000.00	SLP	5.0	0.2000	0.00	20,000.00	0.00
			20,000.00	0.00	20,000.00				0.00	20,000.00	0.00
1636	SS Collection Systems Sewer collection systems	02/06/1995	9,300.00	9,300.00	2,139.00	SLP	25.0	0.0400	372.00	2,511.00	31.00
			9,300.00	0.00	9,300.00				372.00	2,511.00	31.00
1645	TP Treatment Units Treatment plant	02/06/1995	40,000.00	40,000.00	9,200.00	SLP	25.0	0.0400	1,600.00	10,800.00	133.33
			40,000.00	0.00	40,000.00				1,600.00	10,800.00	133.33
1611	Contributed mains & services kelp & teal court connections Ocean Marsh Sewer Ext	05/18/1993 03/14/1996	730.00 16,311.00	730.00 16,311.00	137.25 1,902.78	Amort	40.0 40.0	0.0250 0.0250	18.25 407.78	155.50 2,310.55	1.52 33.98
			17,041.00	0.00	17,041.00				426.03	2,466.05	35.50
1623	Contributed-meters Water Tap Costs 1987 Water Tap Costs 1988 Water Tap Costs 1989 Water Tap Costs 1990 Water Tap Costs 1991 Water Tap Costs 1992 Water Tap Costs 1993 Water Tap Costs 1994 Water Tap Costs 1995 Water Tap Costs 1996 Water Tap Costs 1997 Water Tap Costs 1998 Water Tap Costs 1999 Water Tap Costs 2000	10/31/1987 10/31/1988 10/31/1989 10/31/1990 02/28/1991 10/31/1992 10/31/1993 10/31/1994 10/31/1995 10/31/1996 10/31/1997 10/31/1998 10/31/1999 04/30/2001	504.00 204.00 183.00 140.00 478.00 729.00 1,436.00 1,893.00 1,273.00 1,947.00 3,100.00 2,502.00 1,817.00	504.00 204.00 183.00 140.00 478.00 729.00 1,436.00 1,893.00 1,273.00 1,947.00 3,100.00 2,502.00 1,817.00	436.60 162.60 134.20 94.33 310.87 392.60 677.73 768.20 430.87 529.80 619.67 347.80 131.13	Amort	15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0 15.0	0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0667 0.0333	33.60 13.60 12.20 9.33 31.87 48.60 95.73 126.20 84.87 129.80 206.67 166.80 121.13 204.94	470.20 176.20 146.40 103.67 342.73 441.20 773.47 894.40 515.73 659.60 826.33 514.60 252.27 204.94	2.80 1.13 1.02 0.78 2.66 4.05 7.98 10.52 7.07 10.82 17.22 13.90 10.09 17.08
			16,206.00	6,148.14	22,354.14				1,285.34	6,321.74	107.11
1625	Contributed systems Kelp & teal court - water mains kelp & teal court - water services Sea Cottages mains & connections Sea Cottages fire hydrants Sea Cottages services	05/14/1993 05/14/1993 09/09/1993 09/09/1993 09/09/1993	4,597.00 3,819.00 8,968.00 900.00 4,245.00	4,597.00 3,819.00 8,968.00 900.00 4,245.00	861.93 1,909.60 1,607.20 258.00 2,028.00	Amort	40.0 15.0 40.0 25.0 15.0	0.0250 0.0667 0.0250 0.0400 0.0667	114.93 254.60 224.20 36.00 283.00	976.85 2,164.20 1,831.40 294.00 2,311.00	9.58 21.22 18.68 3.00 23.58
			22,529.00	0.00	22,529.00				912.73	7,577.45	76.06
	Total allowable depreciation		196,770.80	19,031.21	215,802.01				6,997.92	84,857.07	583.16

	10/31/1995	20.00	20.00	6.33	Amort	15.0	0.0667	1.33	7.67	0.11
Contributed sewer taps										
Sewer tap costs 1995	10/31/1996	260.00	260.00	70.33	Amort	15.0	0.0667	17.33	87.67	1.44
sewer tap costs 1996	10/31/1997	380.00	380.00	76.33	Amort	15.0	0.0667	25.33	101.67	2.11
sewer tap costs 1997	10/31/1999	5,107.43	5,107.43	680.99	Amort	15.0	0.0667	340.50	1,021.49	28.37
sewer tap costs 1999		5,767.43	5,767.43	833.99				384.50	1,218.49	32.04
1996 Forward Systems										
Harbor Key (Westmarsh)	11/01/1996	38,394.00	38,394.00	3,839.85	Amort	40.0	0.0250	959.85	4,799.70	79.99
Harbor Key (Westmarsh)	11/01/1996	8,775.00	8,775.00	877.38	Amort	40.0	0.0250	219.38	1,096.75	18.28
Harbor Key (Westmarsh)	11/01/1996	35,930.00	35,930.00	28,744.00	Amort	5.0	0.2000	7,186.00	35,930.00	598.83
Harbor Key (Westmarsh)	11/01/1996	68,502.00	68,502.00	10,960.08	Amort	25.0	0.0400	2,740.08	13,700.16	228.34
Harbor Key (Westmarsh)	11/01/1996	5,855.00	5,855.00	1,561.33	Amort	15.0	0.0667	390.33	1,951.67	32.53
Ocean Marsh sewer ext	07/29/1997	65,589.00	65,589.00	5,465.73	Amort	40.0	0.0250	1,639.73	7,105.45	136.64
		223,045.00	223,045.00	51,448.36				13,135.36	64,583.73	1,094.61
Total amortization		228,812.43	228,812.43	52,282.35				13,519.86	65,802.21	1,126.65
Total		425,583.23	425,583.23	130,141.50				20,517.78	150,659.28	1,709.82

SECTION 8
HARBOR ISLAND UTILITIES, INC
CUSTOMER GROWTH

Over the past year there have been a net increase of seven residential customers and one irrigation system added

<u>Customer</u>	<u>11/01/00</u>	<u>10/31/01</u>
Residential	364	371
Irrigation	8	9
Commercial	10	10
Total	382	390

Using the SCPSC formula for Growth Factor

$$\frac{(\text{Year End Customers}) - (\text{Average Customers})}{(\text{Average Customers})} = \text{GF}$$

$$\text{GF} = \frac{390-386}{386} = 1.0\%$$

SECTION 9

HARBOR ISLAND UTILITIES, INC.

COST JUSTIFICATION FOR PROPOSED RATES

Harbor Island Utilities, Inc. provides water to the residents and commercial establishments on Harbor Island for their potable and fire protection requirements. The Utility purchases the potable water from the Beaufort-Jasper Water & Sewer Authority at a wholesale rate, and then sells it to the Harbor Island customers at rates approved by the Public Service Commission of South Carolina.

A significant portion of the water system was constructed by the developer of the community and then contributed to the Utility at no cost. Thus, there is little investment in the Utility by the stockholders. In cases such as this, the SCPSC considers a rate case from an "operating margin" basis rather than considering a rate of return on the investment in the system. Operating margin is determined by dividing the net income after depreciation by the gross income. The operating margin is used to pay principal on any borrowed monies, to build reserves for emergencies and to provide a profit to the stockholders. The operating margin for this Utility that was allowed by the S. C. Public Service Commission in 1998 was 11.45 percent.

The operating revenues and expenses for the most recently completed fiscal year are shown in Section 2 of this rate application. A net loss of \$62,119 from a gross income of \$253,951 gave a negative operating margin of (24.5) percent.

Water rates are set to cover two types of costs: fixed and variable. The fixed costs are those expenses incurred regardless of the number of customers served, while the variable costs are expenses that increase as the numbers of customers increase. Examples of fixed costs are repairs to water mains, property taxes, or legal and audit fees; variable costs are purchases of water, chlorine and electricity.

Table 1 shows the actual fixed and variable costs incurred in FY-01 and adjustments to each category to reflect current year expenses. There are significant adjustments for charges from The Beaufort Group for services that were covered by the "Administration & Operator Services Agreement" for operator and management services.

TABLE 1
ACTUAL OPERATING EXPENSES FOR FY-01
AND ADJUSTMENTS

	FIXED COSTS	ADJ COSTS	ADJ FIXED COSTS	VARIABLE COSTS	ADJ COSTS	ADJ VAR COSTS	TOTAL ADJ TOT COSTS
<u>ADMINISTRATION</u>							
1 Acct & Audit	3,992		3,992		0		3,992
2 Bank Charges	293		293		0		293
3 Business Promotion	100		100		0		100
4 Donations	150	(150)	0 (1)		0		0
5 Graphic Services	301		301		0		301
6 Interest on Debt	28,447		28,447		0		28,447
7 Insurance	1,082		1,082		0		1,082
8 Legal Fees	2,482	1,000	3,482 (2)		0		2,482
9 Licenses & Permits			0	2,875	2,875		2,875
10 Line Location Services			0	1,274 (960)	314 (3)		314
11 Management Fees	25,573		25,573	12,787	12,787		38,360
12 Mgt Svc Over Contract			0	3,500 (3,500)	0 (4)		0
13 Postage & Freight	10		10	1,591	1,591 (5)		1,601
14 Printing	101		101		0		101
15 Taxes	9,440		9,440		0		9,440
16 Telephone	788	263	1,051 (6)		0		1,051
17 Returned Checks	101		101		0		101
18 Total Admin Expenses	72,860	1,113	73,973	20,436 (2,869)	17,567		93,296
<u>WATER SYSTEM OPERATIONS</u>							
19 Auxiliary Generator	2,726		2,726		0		2,726
20 Backflow Prevent	75		75		0		75

21	Bldg & Grounds	601	601		0	601	601
22	Controls & Instruments	75	75		0	75	75
23	Depreciation-Water	4,374	(1,972)	2,402 (7)	0	4,374	2,402
24	Diesel Fuel			0	564	564	564
25	Electricity			0	6,205	6,205	6,205
26	Field Supplies			0	2,452	2,452	2,452
27	Operator Services	3,947	(1,645)	2,302 (8)	15,787 (6,581)	19,734	11,508
28	Pumps & Motors			0	1,208	1,208	1,208
29	Small Tools	790		790	0	790	790
30	Mains & Hydrants	32,399	(16,182)	16,217 (9)	0	32,399	16,217
31	Meter Repair			0	0	0	0
32	Water Quality Monitor	292		292	0	292	292
33	Total Water Expenses	45,279	(19,799)	25,480	19,635	71,495	45,115

SEWER SYSTEM OPERATIONS

34	Bldg & Grounds	15	15			15	15
35	Chlorination System	521		521		521	521
36	Controls & Instruments	616		616		616	616
37	Depreciation-Sewer		1,972	1,972 (7)		0	1,972
38	Effluent PS & Force Main	10,408		10,408		10,408	10,408
39	Effluent Monitoring	4,005		4,005		4,005	4,005
40	Electricity	8,242		8,242		8,242	8,242
41	Gravity Mains	568		568		568	568
42	Operator Services	16,082	10,770	26,852 (8)		16,082	26,852
43	Secondary Treatment Plant	20,052	(12,000)	8,052 (9)		20,052	8,052
44	Pump Stations	9,455		9,455		9,455	9,455
45	Sludge Disposal	1,708		1,708		1,708	1,708
46	Small Tools	606		606		606	606
47	Water	1,316		1,316		1,316	1,316
48	Total Sewer Expenses	73,594	742	74,336		73,594	74,336

COST OF SALES

49 Water Purchase	0	77,685 (6,017)	71,668 (10)	77,685	71,668
50 GRAND TOTAL	191,733 (17,944)	173,789	124,337 (15,467)	316,070	282,659

* See explanation for adjustments on next page

PRINCIPAL 70,000
RATE 6.50%
TERM 15

P+I (ANNUALLY) 7,445
MON COST/CUST 1.75

Table 1 (Continued)

Adjustments

1. Donations – Contributions to charity are not to be a part of the rate base.
2. Legal Fees – Legal representation before the SCPSC for this rate case will cost approximately \$3,000. Amortized over three years will increase this expense code by \$1,000. Actual invoice for these services will be presented prior to the PSC hearing.
3. Line Location Services – Operator services agreement provides \$20.00 for service lateral locations. Reduce expenses by \$960.00.
4. Management Service Over Contract – All management fees are included in contract – remove \$3,500.
5. Postage & Freight – Management agreement requires the Utility to pay for postage for monthly billings. 390 customers billed monthly at \$0.34 equates to \$1,591 adjustment.
6. Telephone – P&L reflects only 9 months expensed. Average monthly expense was \$87.59. Need to add \$263 for other three months.
7. Depreciation – Depreciation schedule shows \$2,402 for water system and \$1,972 for sewer system. Adjustments made to reflect these volumes.
8. Operator Service – Operator Service for the water and sewer systems was contracted for \$38,360. 30% of this fee should be charged to the water system while 70% charged to the sewer system. For the water system 20% is charged to “fixed costs” while 80% is charged to “variable costs”.
9. Mains & Hydrants and Secondary Treatment Plant – Labor charges for services were over charged to these two categories. Reduce Mains & Hydrants by \$16,182 and Secondary Treatment Plant by \$12,000 for a total reduction of \$28,182.
10. Water Purchase – The accountability of water sold vs. water purchased was 82.2% for the test year. For a acceptable accountability of 90% the cost of water should be reduced by \$6,017.

WATER RATES

Base Rate

The base or minimum rate should cover the fixed costs related to the administration, operation and maintenance, and depreciation of the water system. In addition to these costs, an operating margin is justified to provide cash reserves and some profit to stockholders. From Table 1, these fixed costs are identified using actual expenses from FY-01 (the test year). Since there is more administrative expense related to the water system operation as compared to the sewer system operation, the administrative expenses have been split 65 percent to the water system and 35 percent to the sewer system.

The income required to provide a 15 percent operating margin is:

Administration – 65%	\$48,082
Oper & Maint	23,078
Depreciation	2,402
Oper Margin – 15%	<u>12,028</u>
Income	\$86,544

For a customer base of 390, the base rate to provide an annual income of \$86,544 is \$18.49.

Commodity Rate

The commodity rate is a function of the variable costs related to the water system. For this case the required income to provide 33.881 million gallons of water will be:

Administration – 65%	\$11,419
Oper & Maint	19,635
Water Purchase	71,668
Oper Margin – 15%	<u>18,127</u>
Income	120,849

The average cost per 1,000 gallons of water purchased was \$3.57.

Proposed Rates

For a new water rate of \$18.50 base plus \$3.60/1,000 gal for all water used, the gross revenue would be:

Base Rate	\$86,580
Commodity	<u>121,970</u>
Gross Income	\$208,550
For the total adjusted expenses of \$176,284:	
Administration – 65%	\$59,501
Oper & Maint	42,713
Water Purchase	71,668
Depreciation	<u>2,402</u>
Total Expenses	\$176,284

The net operating income will be \$32,266 providing an operating margin of 15.5 percent.

The proposed rates are for standard $\frac{5}{8}$ inch and $\frac{3}{4}$ inch water meters. Customers using larger meters should continue to pay a larger base rate to cover the added instantaneous demand they place on the water system. The recommended rates should be consistent with the present rates as shown:

	<u>Present Base Rate</u>	<u>Proposed Base Rate</u>
$\frac{5}{8}$ " and $\frac{3}{4}$ "	\$11.69	\$18.50
1"	13.19	20.00
1½"	17.99	25.00

Fire Hydrant Usage

Water is often needed to jet piles into the ground for foundation, or to fill storage tanks. On such requests it is necessary to install a hydrant meter to control the usage. The cost of installing the hydrant meter and handling the administration is approximately \$65.00 while the water usage should be charged at the commodity rate, \$3.60/1,000 gallons. For control it is best to collect a user fee of approximately \$75.00 before the water is used and then refund any balance. By reading the hydrant meter before and after usage, the charges are calculated and deducted from the advance payment with a refund of the balance made to the user. This procedure is consistent with the procedure used for the currently approved rates.

Tap Fees

1. Single Units
 - $\frac{5}{8}$ " & $\frac{3}{4}$ " meter \$ 687.00
 - 1" meter \$1,037.00
 - 1½" meter \$1,187.00
 - 2" meter \$2,187.00
2. Master Meter for Multiple Units
 - 1" - 2" meter \$687.00 per unit served
 - Greater than 2" meter \$500.00 per unit plus cost of meter installation

The agreement with the FIPSD requires an annual review of the tap fees paid to it. FIPSD has raised its tap fee to \$487 since the last rate adjustment. Harbor Island Utilities needs adjust its tap fees to accommodate this increase and cover the cost of installing water meters.

Other Charges

There is no request to change the other rates that have already been approved by the PSC. These include:

Reconnection Fees

1. Disconnect/Reconnect at Customer Request \$50.00
2. Disconnect/Reconnect for Non-payment \$50.00

Advance Payment

1. For Water Used During Construction \$100.00
(paid with tap fees)

SEWER RATES

Flat Rate

Sewer service historically has been provided to the residential and commercial customers on Harbor Island at a fixed rate. Since Harbor Island is predominately a second home community, it is recommended to continue with a fixed rate so that an even cash flow will correspond with the essentially even operating expenses. Electricity and chlorine vary with the wastewater flow and are the only variable expenses.

From Table 1 the related expenses are:

Administration – 35%	\$32,039
Oper & Maint	72,364
Depreciation	<u>1,972</u>
Total	\$106,375

With an operating margin of 15.0 percent, the required annual income is \$125,147.

For the 351 residential customers and the 3 commercial customers, the average cost per customer is \$29.46 per month.

Future Capital Requirements

Harbor Island Utilities, Inc. pumps the treated wastewater to Fripp Island for disposal on a golf course. This highly treated effluent is transported through a 6-inch pipe that crosses two bridges between Harbor Island and Fripp Island. Recently, the Utility has been informed by the S. C. Department of Transportation of its schedule to replace the Johnson Creek bridge, thus requiring the relocation of the Utility's 6-inch main from the old bridge. Bids have been received from several contractors for directional boring below Johnson Creek. The probable cost for this required work is approximately \$70,000.

For this work it will be necessary for the Utility to seek a loan. Based on an interest rate of 6.5% over 15 years, the annual debt payment of principal and interest will be \$7,445. For the 354 sewer customers the sewer rate will need to be increased monthly by \$1.75.

Actual contracts and loan documents will be submitted to the PSC when they are available. It is not the intention of the Utility to ask for operating margin to be added to these costs.

Proposed Rates

For a new sewer rate of \$31.00 per month the gross revenues would be \$131,668. For the total expenses of \$106,375, the net operating income will be \$21,065 providing an operating margin of 16.5 percent.

Commercial customers should be charged a sewer rate in proportion to residential rates using the DHEC schedule for wastewater load allocation. With a residential load allocation of 300 gpd, commercial rates should be:

<u>Customer Type</u>	<u>Load Allocation</u>	<u>Factor</u>
Residential	300 gpd	1.0
Restaurants	30 gpd/seat	0.1 x no. seats
Retail	200 gpd/1,000 sq. ft.	0.67 x no. 1,000 sq. ft
Office	25 gpd/employee	0.83 x no. employees

Tap Fees

There is no request to change the currently approved sewer tap fees. The approved fees are:

Residential	\$ 500.00
RV & Trailer Park	\$ 250.00/pad
Commercial: Water supplied through 1" – 1½" meter	\$ 850.00

REVENUES

An analysis of the water used by each customer type during the test year is presented in Table 2. The proposed water and sewer rates during the test year would have provided gross revenues of \$331,114 (see Section 5). For operating expenses plus depreciation totaling \$288,694, the net operating income of \$42,420 would have provided an operating margin of 12.8 percent.

Effects of Rate Increase

Water

	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
Residential & Irrigation – ¾" meter			
0 gal	11.69	18.50	58.2%
10,000 gal	46.69	54.50	16.7%
30,000 gal	116.69	126.50	9.8%
Commercial – ¾" meter			
0 gal	16.19	23.00	42.1%
10,000 gal	51.19	59.00	15.2%
30,000 gal	121.19	131.00	8.1%

Sewer

	<u>Current</u>	<u>Proposed w/o Debt Service</u>	<u>% Change</u>	<u>Proposed w/ Debt Service</u>	<u>% Change</u>
Residential	26.00	30.00	15.4%	31.00	19.2%
Commercial	26.00	30.00	15.4%	31.00	19.2%

TABLE 2
HARBOR ISLAND UTILITIES, INC
WATER USE ANALYSIS FY-01

	NOV 2000	DEC 2000	JAN 2001	FEB 2001	MAR 2001	APR 2001	MAY 2001	JUN 2001	JUL 2001	AUG 2001	SEP 2001	OCT 2001	TOTAL FY-01
RESIDENTIAL CUSTOMERS													
No. Customers	364	363	374	369	367	369	372	372	370	373	372	371	
Total Gallons	1,930,220	1,340,980	1,229,750	1,160,360	867,240	1,596,660	1,972,940	2,689,800	2,592,630	2,974,910	2,290,610	1,369,140	22,015,240
IRRIGATION CUSTOMERS													
No. Customers, ¾" meter	3	3	3	3	3	3	3	4	4	4	4	4	
No. Customers, 1" meter	3	3	3	3	3	3	3	3	3	3	3	3	
No. Customers, 1½" meter	2	2	2	2	2	2	2	2	2	2	2	2	
Total Gallons	427,780	437,220	175,110	131,370	99,070	131,800	240,050	880,690	611,980	559,440	198,050	261,280	4,153,840
COMMERCIAL CUSTOMERS													
No. Customers, ¾" meter	7	7	7	7	7	7	7	7	7	7	7	7	
No. Customers, 1" meter	2	2	2	2	2	2	2	2	2	2	2	2	
No. Customers, 1½" meter	1	1	1	1	1	1	1	1	1	1	1	1	
Total Gallons	683,570	443,170	174,160	105,740	182,990	270,630	443,610	545,860	361,210	575,140	406,540	439,370	4,631,990
WATER ACCOUNTABILITY													
Water Purchased	3,192,000	1,979,000	2,310,000	1,627,000	2,022,000	3,153,000	4,162,000	4,040,000	5,203,000	3,712,000	2,711,000	3,342,000	37,453,000
Water Sold	3,041,570	2,221,370	1,579,020	1,397,470	1,149,300	1,999,090	2,656,600	4,116,350	3,565,820	4,109,490	2,895,200	2,069,790	30,801,070
Water Lost	150,430	(242,370)	730,980	229,530	872,700	1,153,910	1,505,400	(76,350)	1,637,180	(397,490)	(184,200)	1,272,210	6,651,930
Cost of Lost Water	\$311	(\$502)	\$1,513	\$475	\$1,806	\$2,389	\$3,116	(\$158)	\$3,389	(\$823)	(\$381)	\$2,633	\$13,769
Accountability	95.3%	112.2%	68.4%	85.9%	56.8%	63.4%	63.8%	101.9%	68.5%	110.7%	106.8%	61.9%	82.2%
WATER REVENUES													
Residential Customers	\$13,682.79	\$11,543.03	\$11,346.10	\$11,003.80	\$9,911.56	\$12,574.48	\$13,984.58	\$16,565.28	\$16,178.47	\$17,610.18	\$15,128.20	\$11,792.40	\$161,321
Irrigation Customers	1,705.51	1,739.49	795.90	638.43	522.15	639.98	1,029.68	3,354.48	2,387.13	2,197.98	896.98	1,124.61	17,032
Commercial Customers	2,703.85	1,838.41	869.98	623.66	901.76	1,217.27	1,840.00	2,208.10	1,543.36	2,313.50	1,706.54	1,824.73	19,591
Projected Water Revenues	\$18,092.15	\$15,120.93	\$13,011.97	\$12,265.89	\$11,335.48	\$14,431.72	\$16,854.26	\$22,127.86	\$20,108.95	\$22,121.66	\$17,731.72	\$14,741.74	\$197,944
Actual Water Revenues	12,198.93	8,913.70	16,826.21	7,844.92	6,935.89	9,180.11	11,260.72	15,097.94	13,806.86	20,154.83	12,819.34	10,723.91	145,763.36
Short fall	\$5,893.22	\$6,207.23	(\$3,814.24)	\$4,420.97	\$4,399.59	\$5,251.61	\$5,593.54	\$7,029.92	\$6,302.09	\$4,966.83	\$4,912.38	\$4,017.83	\$52,181

WATER RATES

Minimum Base Rate	RESIDENTIAL	COMMERCIAL	IRRIGATION	BJWSA	FIPSD
3/4" Meter	18.50	23.00	18.50		
1" Meter	20.00	25.00	20.00		
1 1/2" Meter	25.00	32.00	25.00		
Rate Per 1,000 Gal	3.60	3.60	3.60	1.84	0.23

SEWER RATES

Fixed Rate	31.75	31.75
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WATER USAGE

COMMERCIAL CUSTOMERS	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	TOTAL
Nautical Watch Pool	21,280	21,860	2,360	12,080	7,150	18,250	44,330	20,500	37,820	21,540	25,100	37,540	269,810
Yard Art & Gifts	14,280	9,520	18,570	2,950	4,080	7,410	19,660	32,810	18,810	18,720	7,780	5,690	160,280
Barefoot Bubba's	500	460	180	750	220	1,430	1,000	1,790	1,220	850	460	370	9,230
Harbor Square Shops	7,400	4,400	2,600	2,300	2,400	5,900	6,200	7,100	9,700	13,100	6,200	13,800	81,100
HI Inn Pool	14,560	10,800	7,040	13,000	61,130	12,350	27,000	38,600	44,350	51,950	40,410	43,120	364,310
Cedar Reef Pool	172,100	172,100	3,990	200	6,070	15,630	27,810	37,260	18,660	400,070	223,900	276,700	1,354,490
Owners Assoc Office	360	770	3,850	3,690	810	1,770	3,640	1,080	1,040	1,080	36,640	590	55,300
Beach & Racquet Club Pool	383,330	135,030	39,810	0	0	0	0	0	0	0	0	0	558,170
Treatment Plant	54,920	60,020	55,330	64,590	42,690	61,820	57,110	62,230	50,770	53,580	60,470	49,110	672,640
Club House	8,180	24,250	2,180	2,310	1,650	90	990	2,760	2,170	2,480	0	30	47,090
Total Commercial Usage	676,910	439,210	135,910	101,870	126,200	124,650	187,740	204,130	184,540	563,350	400,960	426,950	3,572,420

IRRIGATION CUSTOMERS

Key West Irrigation	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate/Security Irrigation	20	49,870	10	0	0	0	0	0	0	0	0	0	49,900
West Marsh Irrigation	106,770	73,310	48,420	43,930	40,540	46,250	80,720	178,310	156,640	185,560	0	40,140	1,000,590
Pelican Point Irrigation	12,960	27,210	0	0	0	44,280	44,280	154,890	20,280	141,170	70,050	107,230	622,350
Harbor Key Irrigation	70,230	38,630	20,230	5,280	6,030	17,530	99,350	122,500	105,390	212,110	82,620	78,580	858,480
Harbor Island Inn Irrigation	0	0	0	0	0	0	0	1,110	1,050	460	140	10	2,770
Causeway Irrigation	6,190	2,530	50	80	60	13,860	9,620	16,880	14,750	8,140	4,330	2,700	79,190
Entrance Irrigation	121,900	129,300	56,000	43,200	27,600	5,200	3,200	214,200	163,800	0	0	0	764,400
Tennis Courts Irrigation	318,070	320,850	124,710	92,490	74,230	127,120	237,170	687,910	464,560	559,440	198,050	261,280	3,465,880
Total Irrigation Usage													

ADJUSTED USAGE													
Harbor Square Shops	6,660	3,960	2,340	2,070	2,160	5,310	5,580	6,390	8,730	11,790	5,580	12,420	72,990
Tennis Courts Irrigation	109,710	116,370	50,400	38,880	24,840	4,680	2,880	192,780	147,420	0	0	0	687,960
Cedar Reef Pool	0	0	35,910	1,800	54,630	140,670	250,290	335,340	167,940	0	0	0	986,580
Building L Residential	53,100	43,110	34,020	62,190	39,600	86,670	57,510	57,060	72,360	100,620	66,780	42,030	715,050
Building M Residential	71,910	71,640	31,410	46,530	40,860	80,100	114,570	141,930	186,210	167,940	127,170	137,160	1,217,430
Total Water Usage													
Adjustment	241,380	235,080	154,080	151,470	162,090	317,430	430,830	733,500	582,660	280,350	199,530	191,610	3,680,010

CURRENT RATES

WATER RATES		RESIDENTIAL		COMMERCIAL		IRRIGATION	
Minimum Base Rate							
¾" Meter		11.69		16.19		11.69	
1" Meter		13.19		18.27		13.19	
1½" Meter		17.99		24.91		17.99	
Rate Per 1,000 Gallons		3.50		3.50		3.50	

SEWER RATES

Fixed Rate	26.00
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PROPOSED RATES

WATER RATES		RESIDENTIAL		COMMERCIAL		IRRIGATION	
Minimum Base Rate							
¾" Meter		18.50		23.00		18.50	
1" Meter		20.00		25.00		20.00	
1½" Meter		25.00		32.00		25.00	
Rate Per 1,000 Gallons		3.60		3.60		3.60	
SEWER RATES							
Fixed Rate	31.75			31.75			

SECTION 10
HARBOR ISLAND UTILITIES
PERFORMANCE BOND

The Performance Bond requirement has been satisfied by a personal financial statement from the owner.

SECTION 11
HARBOR ISLAND UTILITIES, INC
SERVICE AREA

The service area for this utility is Harbor Island in Beaufort County. A copy of the original service area map and one extension are on file with the PSC.

SECTION 12
HARBOR ISLAND UTILITIES, INC
PLANT INVESTMENT

Most of the water system owned by Harbor Island Utilities, Inc was donated by the developer when it was constructed; therefore, there is very little investment in the system. The purchased water assets are:

Pump Housing & System Upgrade	\$7,705.79
1986 Water Main Extension	8,082.51
Fire Hydrants (7)	7,600.00
Support Equipment	<u>12,312.06</u>
Total	\$35,700.36

In 1995, the sewer system assets were purchased from the Fripp Island Sewer System, Inc. The sewer system assets included:

Pump Stations (6)	\$20,000.00
Collection System	9,300.00
Treatment Plant	<u>40,000.00</u>
Total	\$69,300.00

Systems purchased since 1995 are:

Water system upgrade (year 2000)	\$6,767.60
Water system upgrade (year 2001)	\$12,883.07
Hydrants (year 2000)	\$3,400.00

SECTION 13
HARBOR ISLAND UTILITIES, INC
S. C. DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL
APPROVAL

Each phase of constructing the Utility's water system has been approved by the S. C. Department of Health & Environmental Control for both construction and then for operations. The system is operated in accordance with the DHEC rules and regulations. The attached letter from DHEC confirms this statement.



Low Country District
Environmental Quality Control
104 Parker Drive
Burton, SC 29906
843-846-1030 Fax: 843-846-0604

Serving
Beaufort, Colleton,
Hampton and Jasper Counties

June 13, 2002

Mr. Robert G. Gross, P.E.
Harbor Island Utilities, Inc.
P.O. Box 70042
Lady's Island, SC 29902-0001

RE: Harbor Island Water and Sewer

Dear Mr. Gross:

This is to confirm that the water and sewer systems serving Harbor Island in Beaufort County have been constructed and are being operated under the rules and regulations and approval of the South Carolina Department of Health and Environmental Control.

I understand that this letter is needed for your application to the South Carolina Public Service Commission for a rate increase. If I can be of any further assistance, please feel free to call me at 843-846-1030.

Sincerely,

Penny Cornett
District Engineer
Environmental Quality Control
Low Country District EQC

SECTION 14

HARBOR ISLAND UTILITIES, INC

BILL FORM

Harbor Island Utilities, Inc
P.O. Box 70022
Lady's Island, SC 29907
(843)982-0405

FIRST-CLASS MAIL
U.S. POSTAGE
PAID

PERMIT NO.

TYPE OF SERVICE	METER READING		USED	CHARGES
	PRESENT	PREVIOUS		
WAT 41970	14450	27520	108.01	
Sewage			26.00	

CUSTOMER		DUE DATE
ROUTE	ACCOUNT	
22	14	7-10-02
NET AMOUNT TO BE PAID		
134.01		

MAIL THIS STUB WITH YOUR PAYMENT

89 Harbor Drive

ACCOUNT # 14

METER READ			CLASS	NET AMOUNT TO BE PAID
MONTH	DAY			
6	13	1		134.01

Gary B. Williamson
2258 Wrightsboro Rd
Suite 180
Augusta, GA 30904